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Consumer's evaluations of brand extensions and its influence on brand image: Case Study of Mahram

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Abstract: Owing to the high costs of launching new products, brand extensions have been the basis of national and international strategic growth for many firms over the past few decades. Brand extension strategy consists of using an established brand name to launch new products. Beside the benefits of using this strategy there is a risk for the brand image of the company to be diluted. Researchers on this issue have shown that brand extensions can have a considerable effect on brand image. In Iran, there are plenty of well-known brands especially in food industry which are interested to enter new markets. In this research, the researchers have been trying to find out the effect of some variables such as, perceived fit, brand familiarity and consumer innovativeness on consumer attitude toward brand extension. Then they could see how consumers' attitude to extensions may influence the brand image of Mahram (the sample brand name in this research that is a well-known company in food industry in Iran). The model adopted for this study is based on that developed by Martinez and Pina (2010). The variables are being investigated by using a questionnaire and by means of a regression analysis and Chi-Square test. 235 samples are being questioned that were all selected on a random basis. Results show that there is a relationship between the brand image before extension and consumer evaluations of brand extension. Perceived category fit, perceived image fit and consumer innovativeness have direct effect on consumer's attitudes toward extension. Consequences reveal that consumer's attitudes toward brand extension has effect on their evaluations of the parent brand image.

Keywords: brand extension, brand image, perceived fit, consumer innovativeness, brand familiarity

1. Introduction

Brand name is one of the most important assets that a company has. In recent years, companies have used brand extension strategies to launch new products on to the market, given that this strategy decreases the risk of failure of these products, because consumers will better accept the new products launched under known symbols (Martinez & Pina, The negative impact of brand extensions on parent brand image, 2003).

Owing to the high costs of launching new products, brand extensions have been the basis of national and international strategic growth for many firms over the past few decades. Brand extension strategy consists of using an established brand name to launch new products. Brand extensions reduce the costs of brand name introduction and enhance the probability of success since consumers transfer their perceptions and attitudes from the original brand to the extension (Buil, Chernatony, & E. Hem, 2009).

There are two types of brand extensions, horizontal brand extensions and line extensions. Through a line extension, a brand name is used in order to market a new product in the same category class, which can be oriented to a new market segment or be directed to the current target market presenting minor modifications. In the case of brand extension, a completely different category of product is meant to be marketed (Martinez & Pina, The negative impact of brand extensions on parent brand image, 2003). Another classification for brand extensions names two categories of extensions, which are horizontal and vertical. Introduction of a new product in either a related product class, or in a product category completely new to the firm is categorized as horizontal extensions. On the other hand, vertical extension usually refers to the introduction of a new extension in the same product category but at a different price and quality level (Arsalan & Korkut Altuna, 2010).

Brand image has multiple meanings from different points of view. One of them which was proposed by

Keller (1993) defines it as the "perceptions about a brand reflected as associations existing in the memory of the consumer".

Authors have proposed different types of dimensions in order to appraise brand image. In this study we use three dimensions which were proposed by Eva Martinez and Jose M. Pina (2010) that is consists of functional image, affective image and reputation.

Previous studies has shown that the greater the similarity between the parent brand and the extended brands, the greater the impact on the extended brand (Aaker & Keller, 1990; Park, Milberg, & Lawson, 1991). This consistency factor between the extended brand and the parent brand is mainly due to the concept called "perceived fit". There are two main dimensions of a consumer's perceived fit that has been discussed in prior studies; product category fit and brand image fit (Bhat & Reddy, 2001; Grime, Diamantopoulos, & Smith, 2002). It has been found that the new product is likely to be accepted easily by consumers when the quality variations across the product line are minimal and indistinguishable (Dacin & Smith, 1994). Therefore, it is evident that consumers do not accept products whose quality is inconsistent with the core brand product (Lassar, Mittal, & Sharma, 1995).

2. Literature review

Aaker and Keller (1990) conducted a study to obtain insights on how consumers form attitudes toward brand extensions. The variables that they used in their study were perception of fit, perceived difficulty in manufacturing, perception of high quality for the original brand. They also examined the effectiveness of different positioning strategies for extensions. Their findings show that the variables such as perceived fit, perceived difficulty in manufacturing and perceived quality of the original brand have an impact on consumer's evaluations of brand extensions. In another study Arthur Cheng and Shaw Chen (2000) concluded that regardless of the perceived fit, brand extension will dilute the brand equity. In 2001, Hem, Chernatony and Iversen suggested that the category fit between the new product and the reputation of the parent brand would facilitate the acceptance of brand extensions. Also their findings show that innovative people are more prone to try new products and services.

Several studies focus on the effect of brand extension on parent brand image (Chen & Liu, 2004; Martinez & Chernatony, 2004; Martinez Salinas & Pina Perez, 2009; Arsalan & Korkut Altuna, 2010; Martinez & Pina, 2003). Some of them concluded that conducting brand extension strategy would dilute the brand image (Martinez & Chernatony, 2004; Arsalan & Korkut Altuna, 2010).

Martinez and Pina (2003) had a research on the negative impact of brand extension on parent brand image. They concluded that brand extension strategies may influence the brand image after the extension and that variables such as the brand image prior to the extension, the perceived quality of the extension and the fit between the parent brand and the new product also affect the image.

In 2003, Czellar proposed an integrative model of antecedents and consequences of brand extension attitude based on the dominant cognitive paradigm. This model is consist of the perception of fit, the formation of primary attitudes toward the extension, the link between extension attitude and market place behavior and the reciprocal effect of brand extension attitude on parent brand /extension category attitude.

Zimmer and Bhat (2004) found out that extension quality and fit did not dilute parent brand attitude. Also they suggested that the introduction of an extension, regardless of its fit or quality, will enhance parent brand attitude for a durable product relative to a control group.

Some studies tried to examine the moderating role of fit on extension attitude(Seltene & Brunel, 2008).

Some researchers were interested in studying the effect of consumer innovativeness on consumer's acceptance of new products. They concluded that there is a positive relationship between consumer innovativeness and acceptance of the extended brand (Xie, 2008).

3. Proposed model and Hypotheses

Our purpose in this study is to examine the impact of brand extension on brand image of the company. Also we examine the influence of some variables such as brand familiarity, perceived fit and consumer innovativeness on consumer attitudes toward brand extensions. In this research we used the model which was proposed by Eva Martinez and Jose M. Pina (2010), and we chose one of the famous brands in food industry in iran "Mahram". This company was established in 1970 and produces different kinds of dressings, pickles, jams, honey, lemon juice and, etc. Figure 1 shows the model used in this study.

First of all we want to see whether there is a positive relationship between brand familiarity and extension attitude. Brand familiarity is the number of product related experiences that have been accumulated by the consumer through product usage, advertising, etc. (Keller, 1993). Research shows that customers tend to buy brands that they are familiar with (Arsalan & Korkut Altuna, 2010). Here we hypothesize:

H1: consumers' familiarity with the brand has a positive effect on attitude toward the extension.

Another variable that may have an influence on extension attitude is the initial brand image. Martinez (2010) suggests that if the brand image consists of associations such as a high-perceived quality, the extension attitude will be better. Therefore:

H2: There is a positive relationship between the initial brand image and the attitude to the extension.

Research has shown that consumer's perception of fit is a major consideration when attempting to introduce an extension (Grime, Diamantopoulos, & Smith, 2002). According to Bhat and Reddy (1997), fit comprises two dimensions, namely:

1) Similarity between the product category of the parent brand and its extension (product category fit);
2) Similarity between the image of the parent brand and its extension (brand image fit)

In this paper we adopt Bhat and Reddys' view, therefore we hypothesize:

H3: The higher the perceived category fit between the extension and the parent brand, the more positive attitude to the extension.

H4: The higher the perceived image fit between the extension and the parent brand, the more positive attitude to the extension.

Consumer innovativeness is another variable that in this study we want to know if it has any influence on consumer attitude toward extension. It is the tendency to buy new products more often and more quickly than other people (Roehrich, 2004). Xie (2008) defines consumer innovativeness as "the degree to which an individual is relatively earlier in adopting an innovation than other members of this system". So these consumers should be more prone to try new products regardless of the degree of brand knowledge or perceived fit (Martinez & Pina, 2010). Here we hypothesize:

H5: The higher consumer innovativeness, the more positive attitude toward the extension.

In the following hypotheses we want to evaluate the influence of attitude to the extension, perceived category fit and perceived image fit on the parent brand image. If companies decide to launch a new product, a change of brand image will occur with new associations created in consumers' minds. This may dilute feelings and beliefs consumers hold about the parent brand (Martinez & Chernatony, 2004). According to previous research, the attitude to the extension is a major driver of spillover effects from the extension to the parent brand (Martinez & Pina, 2010). Extensions with poor quality or the ones which assessed negatively will dilute the brand image (Martinez & Pina, 2003). So we propose the following hypothesis:

H6: The better the attitude to the extension, the more positive the feedback effect on the parent brand image. Some works have revealed that the impact of brand extensions on the parent brand is directly related to similarity (Martinez & Pina, 2003). Martinez and Pina (2010) suggest that the introduction of extensions far from the core business will involve losing brand differentiation and credibility, whereas extensions to relate markets will avoid potential damage (Martinez & Pina, 2010). Here we want to see if perceived category fit or perceived image fit will directly influence the brand image after extension. So we hypothesize:

H7: The higher the perceived category fit between the extension and the parent brand, the more positive attitude to the parent brand image.

H8: The higher the perceived image fit between the extension and the parent brand, the more positive attitude to the parent brand image.
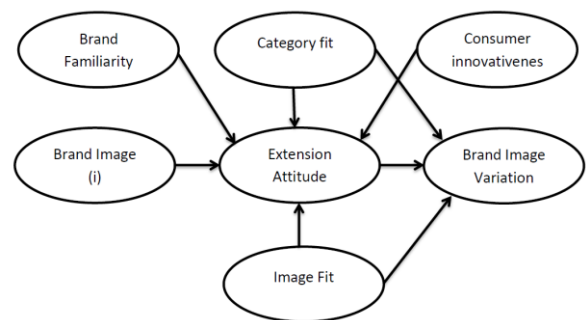

Figure 1. Proposed model of the study

4. Methodology

An empirical study was conducted in order to test the hypotheses and validate the proposed model. In this study we used real brands and realistic hypothetical extensions. As we mentioned earlier, the model adopted for this study is based on the model developed by Martinez and Pina (2010). The questionnaire consists of seven constructs that are demographic characteristics, consumer innovativeness, brand familiarity, brand image before extension, perceived fit, attitude toward brand extension and evaluations of brand image after extension.

Most questions were measured using five-point Likert-type scales. On this five- point scale, responses range from strongly low (1) to strongly high (5).

The dependent variables in this study are consumer's attitudes toward brand extension and consumer's evaluations of brand image after extension. The independent variables used in this study are consumer innovativeness, brand familiarity, perceived image fit,

perceived category fit and consumer's attitudes toward brand extension.

Variables of this research were investigated by means of Regression analysis and Chi-Square test.

For this study we chose the brand name "Mahram" that is one of the well-known companies in food industry in Iran.

Two different questionnaires were prepared for two different extensions (Olive oil and sport shows). Surveys were being answered by a sample of 235 individuals in Tehran in different parts of the city, on different days and at different times during August 2012.

Dimensions of consumer innovativeness were extracted from measures proposed by Roerich (1994) namely "hedonic" and "Social". Dawar's scale was used to assess brand familiarity. For measuring initial and final brand image we used the scale proposed by Martinez (2010). For category fit and image fit we used the scales approved by Aaker and Keller (1990). Extension attitude was assessed by means of the measures proposed by Keller (1990) and Pryor and Brodie (1998).

5. Results

Before conducting any analysis on data gained from questionnaires the reliability of scales were measured by means of Cronbach's alpha coefficient. The results of reliability analysis are shown in table 1.

Table 1. Reliability analysis for the scales (Cronbach's alpha coefficients)

Variables	Cronbach's Alpha
Initial brand image	.829
Consumer innovativeness	.864
Brand familiarity	Descriptive questions
Category fit	.708
Image fit	.713
Attitude toward extension	.758
Brand image (after extension)	.882

As we see, the internal consistency estimates of all the scales are above the cutoff point of 0.7. So we can say that the data gathered for this study is highly reliable.

5.1. Sample

From 235 samples, 55.7 percent single and 44.3 were married. Revenue of 40.9 % of all questionnaires

was lower than 5,000,000 Rls. Women consist 38.3% and men 61.7% of the questionnaire. Most of the respondents were between 18-30 years old.

5.2. Hypothesis 1

The regression analysis result for first hypothesis shows that the value of significant is lower than $\alpha = 0.05$ and means that H_0 is rejected and we can accept H_1. (See table 2).

So we can conclude that the better the brand image in consumer's mind the higher the possibility of buying and trying the new products. In this case consumers have better attitude toward brand extension.

Table 2: Correlations between initial brand image and extension attitude

		Initial Image	Extension attitude
Initial Image	Pearson Correlation	1	.436[**]
	Sig. (2-tailed)		.000
	N	235	235
Extension attitude	Pearson Correlation	.436[**]	1
	Sig. (2-tailed)	.000	

5.3. Hypothesis 2

The Chi-Square test for the second hypothesis shows that the value of significant is upper than $\alpha = 0.05$ and means that H_0 is accepted and H_1 is rejected. (See table 3)

So here we can see that familiarity with the brand has no considerable effect on consumer's attitudes toward brand extension.

5.4. Hypothesis 3

The Chi-Square test for the third hypothesis shows that the value of significant is lower than $\alpha = 0.05$ and means that H_1 is accepted and H_0 is rejected. (See table 4)

According to what we said earlier, category fit has a significant impact on consumer's evaluations of extension. Consumers prefer to buy the new products of the companies which are relevant to other products of the brand. They assume that the corporate profession and expertise would help to produce that kind of products.

Table 3: Chi-Square Tests Results for the second hypothesis

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.717[a]	16	.620
Likelihood Ratio	12.540	16	.706
Linear-by-Linear Association	4.276	1	.039

5.5. Hypothesis 4

The Chi-Square test for the forth hypothesis shows that the value of significant is lower than $\alpha =0.05$ and means that H_1 is accepted and H_0 is rejected. (See table 5)

As we see, if the new product's image is consistent with the core brand associations, there would be better attitudes toward the new product.

Table 4: Chi-Square Tests Results for the third hypothesis

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.728[a]	16	.000
Likelihood Ratio	74.135	16	.000
Linear-by-Linear Association	50.140	1	.000

5.6. Hypothesis 5

In this hypothesis we were looking for effect of consumer innovativeness on consumer's attitudes toward brand extension. Results of the regression analysis show that the value of significant is lower than $\alpha =0.05$ and means that H_1 is accepted and H_0 is rejected. (see table 6)

The conclusion shows that regardless of the perceived fit, consumer innovativeness has a great influence on brand extension acceptance. Consumers with higher degrees of innovativeness are prone to try new products.

Table 5: Chi-Square Tests Results for the forth hypothesis

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.728[a]	16	.000
Likelihood Ratio	74.135	16	.000
Linear-by-Linear Association	50.140	1	.000

5.7. Hypothesis 6

Here we want to see if there is a relationship between the consumer's attitudes of extension and their evaluations of brand image after brand extension has taken place. Results of the regression analysis show that the value of significant is lower than $\alpha =0.05$ and means that H_1 is accepted and H_0 is rejected. (see table 7)

Therefore according to the results of this test, we conclude that by using the brand extension strategy in a proper way we can enhance the consumer's evaluations of brand image.

Table 6: Correlations between consumer innovativeness and extension attitude

		Consumer innovativeness	Extension attitude
Consumer innovativeness	Pearson Correlation	1	.252[**]
	Sig. (2-tailed)		.000
Extension attitude	Pearson Correlation	.252[**]	1
	Sig. (2-tailed)	.000	

5.8. Hypothesis 7

In the seventh hypothesis we were looking for the direct effect of perceived category fit on consumer's evaluations of brand image**.**

The Chi-Square test for this hypothesis shows that the significant value is upper than $\alpha =0.05$ and means that H_0 is accepted and we can't accept H_1. (See table8)

Thus the consequences reveal that there is no direct relationship between category fit and consumer's evaluations of brand image.

Table 7: Correlations between extension attitude and brand image after extension

		Brand image after extension	Extension attitude
Brand image after extension	Pearson Correlation	1	.651[**]
	Sig. (2-tailed)		.000
Extension attitude	Pearson Correlation	.651[**]	1
	Sig. (2-tailed)	.000	

5.9. Hypothesis 8

The Chi-Square test for this hypothesis shows that the significant value is upper than $\alpha = 0.05$ and means that H_0 is accepted and we can't accept H_1. (See table 9) Here results reveal that there is no direct relationship between image fit and consumer's evaluations of brand image.

Table8: Chi-Square Tests Results for the seventh hypothesize

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.066ᵃ	31	.089
Likelihood Ratio	51.703	31	.011
Linear-by-Linear Association	13.559	1	.000

Table9: Chi-Square Tests Results for the eighth hypothesize

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.066ᵃ	31	.089
Likelihood Ratio	51.703	31	.011
Linear-by-Linear Association	13.559	1	.000

6. Conclusions and recommendations

The main objective of this paper was to assess the influence of brand extension on parent brand image. Also we were trying to see how some factors such as brand familiarity, consumer innovativeness and perceived fit affect consumer's attitudes toward extension.

We chose one of the famous brands in food industry in Iran to see how Iranian consumers would react to new products launched by known brands.

According to result of this study we can say that the brand image before extension plays an important role in consumer's attitudes to new products and will cause the increase in possibility of their acceptance. So before making any decision about introducing new products, the company should try to enhance its image in consumer's mind. Having an strong and established brand name will help the company in conducting brand extension strategy.

Another important variable that has a significant impact on consumer's attitudes to the new product is perceived fit. Consumers will tend to buy products which are close to other products of the core brand. Companies should try to transmit the associations of the core brand by their new product in order to make the customers feel good about them. On the other hand It is logical for companies to enter new markets which relate to their current business. In this way they can utilize their existing equipment and financial and human resources as well.

Regardless of the perceived fit, consumer innovativeness has a relationship with extension attitude. Innovative consumers tend to try new products before others. So companies can take advantage of this characteristic and absorb this kind of customers by using marketing mix tools such as promotional plans.

One of the hypothesizes of this research was trying to assess the impact of extension attitude on parent brand image. In fact the main objective of this paper was met through this hypothesis. As we said earlier there is a relationship between these variables and we can conclude that conducting brand extension strategies would affect brand image of the companies. Thus before deciding about producing new products, managers should evaluate all the circumstances and make efficient decisions.

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